

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-10 NEA-10 IO-13 ISO-00 AID-05
CEA-01 CIAE-00 COME-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04
SIL-01 AGRE-00 OMB-01 SS-15 L-03 /115 W
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P R 291937Z SEP 77

FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 8850
INFO AMEMBASSY BRUSSELS
AMEMBASSY BUENOS AIRES
AMEMBASSY CANBERRA
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO
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USEEC ALSO FOR EMBASSY
USOECD ALSO FOR EMBASSY
USMTN

DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR
SUBJECT: SUMMARY OF FIRST DAY OF IWC PREP GROUP
DISCUSSIONS

1. THE FIRST DAY OF THE IWC PREP GROUP DISCUSSIONS
FOCUSED ON SECTIONS I-IV OF THE SECRETARIAT'S PAPER,
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POSSIBLE ELEMENTS IN AN INTERNATIONAL AGREEMENT AND
ASSOCIATED PROBLEMS (PREP DOCUMENT (772). THE ONLY
DIVERSION FROM THE DISCUSSION OF THE PAPER WAS A
SUMMARY REPORT BY THE US ON THE EXPORTERS' MEETINGS.
THE US REP (SAYLOR) INDICATED THAT THE INTENTION OF
THESE MEETINGS WAS TO UNDERTAKE AN EXCHANGE OF VIEWS
AND IDEAS TO HELP EACH INDIVIDUAL EXPORTER DEVELOP ITS

OWN IDEAS CONCERNING A NEW IWA. HE EMPHASIZED THAT NO ATTEMPT HAD BEEN MADE TO DEVELOP A COMMON PROPOSAL AND THAT ANY REFERENCE TO PRICE WAS BRIEF AND HYPOTHETICAL.

2. THE CHAIRMAN (PAROTTE) LED THE GROUP THROUGH A PROVISION-BY-PROVISION DISCUSSION OF SECTIONS I-IV OF THE SECRETARIAT'S PAPER. DISCUSSIONS CENTERED ON SECTION IV, RESERVE STOCK OPERATIONS. THERE WAS ALSO A FRUITFUL EXCHANGE OF VIEWS ON THE OBJECTIVES OF THE AGREEMENT AND THE RELATIONSHIP OF AN EMERGENCY RESERVE TO AN IWA WITH RESERVE PROVISIONS. THE COMMENTS PRESENTED BY REPS WERE NOT, HOWEVER, INTENDED AS THE FINAL POSITION TO BE TAKEN BY THEIR GOVERNMENTS ON ISSUES WHICH WERE RAISED.

3. WITH RESPECT TO OBJECTIVES, THE EC REP (JACQUOT) EMPHASIZED THAT IN ADDITION TO PROVIDING FOOD SECURITY, THE AGREEMENT SHOULD PROVIDE STABILITY. THE US POINTED OUT THAT MARKET STABILITY AND FOOD SECURITY ARE VERY CLOSELY RELATED. THE EC SUBSEQUENTLY AGREED WITH THE US POINT AND THE CHAIRMAN NOTED AGREEMENT ON THE OBJECTIVES OF STABILITY AND FOOD SECURITY WHICH IN PAST PREP GROUP DISCUSSIONS HAD BEEN THE SUBJECT OF DISAGREEMENT. THE JAPANESE REP (HATA) NOTED THAT AS AN IMPORTER, JAPAN IS SEEKING STABILITY IN THE FORM OF LIMITED OFFICIAL USE

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ASSURED SUPPLIES AT REASONABLE PRICES WHICH HE LATER DEFINED AS SUPPLY COMMITMENTS DURING PERIODS OF HIGH PRICES.

4. A QUESTION CONCERNING THE ROLE OF EMERGENCY RESERVES WAS RAISED BY THE SOUTH AFRICAN REP (SAULEZ) IN LIGHT OF THE PENDING US PROPOSAL OF 6 MILLION METRIC TON INTERNATIONAL EMERGENCY FOOD RESERVE. THE US INDICATED THAT, WHILE AN IWA WOULD PROBABLY PROVIDE FOOD SECURITY, THE US WAS EXAMINING HOW TO DEAL WITH THE SPECIAL PROBLEMS OF FOOD SECURITY AND WELCOMED THE VIEWS OF OTHERS. JAPAN AND THE ARGENTINE REPS (HATA AND RIBAS) EXPRESSED THE VIEW THAT THE EMERGENCY RESERVE IS A SEPARATE ISSUE WHICH SHOULD NOT BE DEALT WITHIN A NEW IWA.

5. NUMEROUS ISSUES WERE DISCUSSED RELATING TO THE RESERVE AND ITS OPERATION, INCLUDING THE RESERVE SIZE AND ITS COMPOSITION, THE ROLE OF PRICE AS A TRIGGER FOR STOCK OPERATIONS, THE COMPOSITION OF THE INDICATOR, THE SIX-STAGE RESERVE PROCEDURE PROPOSED BY THE SECRETARIAT, AND THE DISTRIBUTION OF BENEFITS. IN

REGARD TO RESERVE SIZE, THE EC REP INDICATED THAT A 25 MILLION TONS RESERVE SUGGESTED IN 1975 WAS TOO LARGE GIVEN THE EXISTING MARKET CONDITIONS. HE ADDED THAT A RESERVE BETWEEN 8 AND 10 MILLION TONS AS PROPOSED IN A RECENTLY PREPARED OECD STUDY MAY BE MORE APPROPRIATE. THE US REP INDICATED THAT, WHILE THE US HAS NO PROBLEMS

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WITH THE RESERVE OF 30 MILLION TONS AS IT PROPOSED IN EARLIER DISCUSSIONS, THE SIZE OF THE RESERVE FINALLY NEGOTIATED WOULD DEPEND ON A NUMBER OF VARIABLES, INCLUDING THE BREADTH OF PARTICIPATION AND THE EXTENT OF OBLIGATIONS. HE ADDED THAT THE RESERVE COULD BE 25 MILLION TONS, 30 MILLION TONS OR SOME HIGHER FIGURE. THE INDIAN REP (RAM SARAN) SAID THAT THE RESERVE SHOULD BE SUFFICIENTLY LARGE TO PROVIDE FOOD SECURITY FOR LDCS. REFERENCE WAS MADE BY INDIA TO THE FAO COMMITTEE

ON WORLD FOOD SECURITY ESTIMATES OF 5-6 PERCENT OF CONSUMPTION AS AN APPROPRIATE LEVEL OF RESERVES FOR FOOD SECURITY.

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6. ON THE QUESTION OF RESERVE COMPOSITION, JAPAN STATED THAT THE RESERVE SHOULD BE COMPOSED OF CLASSES OF WHEAT WHICH CAN BE READILY ABSORBED BY THE MARKET. THE EC AND ARGENTINA INDICATED AN UNWILLINGNESS TO STORE CLASSES OF WHEAT WHICH ARE NOT DOMESTICALLY PRODUCED.

7. THE DISCUSSION ON THE ROLE OF PRICE AS A TRIGGER FOR STOCK ACTION AND ON THE COMPOSITION OF THE INDICATOR CONCLUDED WITH A CONSENSUS ON THE USE OF PRICE FOR TRIGGERING STOCK ACTIONS AND ON THE BASKET CONCEPT FOR AN INDICATOR. THE US REP OPENED THE DISCUSSION BY EXPLAINING THAT, AFTER DISCUSSIONS WITH OTHER NATIONS, THE US HAS CHANGED ITS VIEW CONCERNING QUANTITY TRIGGERS AND NOW WILL ACCEPT THE USE OF PRICE TRIGGERS. HE ADDED THAT A BASKET OF PRICES WOULD BE A USEFUL APPROACH IN DEFINING THE PRICE INDICATOR. THE AUSTRALIAN REP (BAKER) INDICATED SUPPORT FOR THE BASKET APPROACH, BUT POINTED OUT THAT MUCH WORK MUST BE DONE IN IDENTIFYING WHEATS WHICH WILL BE CONTINUOUSLY TRADED AND FOR WHICH PRICES ARE REGULARLY QUOTED. THE CANADIAN REP (O'CONNELL) INDICATED THAT THE RESERVE SYSTEM SHOULD BE TIED TO PRICE, BUT EXPRESSED SIMILAR VIEWS AS THOSE EXPRESSED BY THE AUSTRALIAN REP. HE ALSO SUGGESTED THAT SUBSTITUTES FOR THE WHEATS USED IN CALCULATING THE INDICATOR MIGHT ALSO BE CONSIDERED. THE EC SAID THAT THE ARGUMENTS USED IN 1969 AND 1971 CONCERNING THE USE OF REFERENCE PRICES ARE NO LONGER RELEVANT BECAUSE THE ROLE OF PRICE IS VERY DIFFERENT NOW THAN IT WAS THEN. SOUTH AFRICA SUPPORTED THE EC INTERJECTION AND EXPRESSED THE VIEW THAT TRIGGERING STOCK ACTIONS AT PARTICULAR PRICE

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LEVELS MIGHT INTRODUCE RIGIDITIES IN THE MARKET. INDIA SUGGESTED USING A COMBINED PRICE AND QUANTITY INDICATOR, BUT OFFERED NO EXPLANATIONS ON HOW SUCH AN INDICATOR WOULD BE CALCULATED. THE CHAIRMAN QUESTIONED THE INDIAN SUGGESTION AND EXPLAINED THAT COMPLETE QUANTITY DATA ON PRODUCTION AND STOCKS IS NOT READILY

AVAILABLE WHILE PRICE DATA IS. THE US REP EXPRESSED APPRECIATION FOR THE CONCERNS OF OTHERS REGARDING THE BASKET APPROACH AND STATED THAT PRICES USED IN THE BASKET SHOULD BE TIMELY, ACCURATE, AND INDICATIVE OF MARKET CONDITIONS. HE ADDED THAT THE INDICATOR ITSELF SHOULD BE SIMPLE TO CALCULATE.

8. THE EC FELT THAT THE SIX-STAGE PROCEDURE FOR THE RESERVE STOCK OPERATION AS OUTLINED IN THE SECRETARIAT PAPER MIGHT BE EXCESSIVE. IN CONCURRING WITH EC'S VIEWS, US EXPRESSED THE IMPORTANCE OF SIMPLICITY IN THE RESERVE OPERATION AND SUGGESTED THAT A MEASURE OF PREDICTABILITY OR AUTOMATICITY SHOULD BE INCLUDED IN THE SYSTEM.

9. FINALLY, ON THE QUESTION OF BENEFITS, US REP STATED THAT THE NEW IWA SHOULD RESULT IN A BALANCE OF BENEFITS FOR ALL PARTICIPANTS. INDIA INDICATED THAT LDCS SHOULD BE GIVEN MORE FAVORABLE TREATMENT IN A NEW IWA AND HOPED THAT THE US PROPOSAL WOULD RECOGNIZE THIS NEED.

STREATOR

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